



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3420

Introduced 2/4/2026, by Sen. Javier L. Cervantes

SYNOPSIS AS INTRODUCED:

35 ILCS 5/210.5
35 ILCS 5/210.10 new

Amends the Illinois Income Tax Act. Provides that the tax credit for employee child care shall be (i) 30% of the start-up costs expended by the corporate taxpayer to provide a child care facility for the children of its employees and (ii) 10% (currently, 5%) of the annual amount paid by the corporate taxpayer in providing the child care facility for the children of its employees. Creates an income tax credit for corporate taxpayers that are qualified small businesses in an amount equal to 10% of the federal tax credit claimed by the taxpayer for the taxable year for qualified child care expenditures. Effective immediately.

LRB104 18892 HLH 32337 b

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Section 210.5 and by adding Section 210.10 as
6 follows:

7 (35 ILCS 5/210.5)

8 Sec. 210.5. Tax credit for employee child care.

9 (a) Each corporate taxpayer is entitled to a credit
10 against the tax imposed by subsections (a) and (b) of Section
11 201 in an amount equal to (i) for taxable years ending on or
12 after December 31, 2000 and on or before December 31, 2004, ~~and~~
13 for taxable years ending on or after December 31, 2007, and for
14 taxable years ending on or after December 31, 2026, 30% of the
15 start-up costs expended by the corporate taxpayer to provide a
16 child care facility for the children of its employees, ~~and~~
17 (ii) for taxable years ending on or after December 31, 2000 and
18 on or before December 31, 2025, 5% of the annual amount paid by
19 the corporate taxpayer in providing the child care facility
20 for the children of its employees, and (iii) for taxable years
21 ending after December 31, 2025, 10% of the annual amount paid
22 by the corporate taxpayer in providing the child care facility
23 for the children of its employees. The provisions of Section

1 250 do not apply to the credits allowed under this Section. If
2 the 5% credit authorized under item (ii) of this subsection is
3 claimed, the 5% credit authorized under Section 210 cannot
4 also be claimed.

5 To receive the tax credit under this Section a corporate
6 taxpayer may either independently provide and operate a child
7 care facility for the children of its employees or it may join
8 in a partnership with one or more other corporations to
9 jointly provide and operate a child care facility for the
10 children of employees of the corporations in the partnership.

11 (b) The tax credit may not reduce the taxpayer's liability
12 to less than zero. If the amount of the tax credit exceeds the
13 tax liability for the year, the excess may be carried forward
14 and applied to the tax liability of the 5 taxable years
15 following the excess credit year. The credit must be applied
16 to the earliest year for which there is a tax liability. If
17 there are credits from more than one tax year that are
18 available to offset a liability, then the earlier credit must
19 be applied first.

20 (c) As used in this Section, "start-up costs" means
21 planning, site-preparation, construction, renovation, or
22 acquisition of a child care facility. As used in this Section,
23 "child care facility" is limited to a child care facility
24 located in Illinois.

25 (d) A corporate taxpayer claiming the credit provided by
26 this Section shall maintain and record such information as the

1 Department may require by rule regarding the child care
2 facility for which the credit is claimed.

3 (Source: P.A. 95-648, eff. 10-11-07.)

4 (35 ILCS 5/210.10 new)

5 Sec. 210.10. Federal enhanced tax credit for
6 employer-provided child care.

7 (a) For taxable years beginning on or after January 1,
8 2026, each corporate taxpayer that is a qualified small
9 business is entitled to a credit against the tax imposed by
10 subsections (a) and (b) of Section 201 in an amount equal to
11 10% of the federal tax credit claimed by the corporate
12 taxpayer for the taxable year for qualified child care
13 expenditures under Section 45F of the Internal Revenue Code.

14 (b) A taxpayer may not claim both the credit under Section
15 210.5 of this Act and the credit under this Section for the
16 same expenditure.

17 (c) In no event shall a credit under this Section reduce
18 the taxpayer's liability to less than zero. If the amount of
19 the tax credit exceeds the tax liability for the year, the
20 excess may be carried forward and applied to the tax liability
21 of the 5 taxable years following the excess credit year. The
22 credit must be applied to the earliest year for which there is
23 a tax liability. If there are credits from more than one tax
24 year that are available to offset a liability, then the
25 earlier credit must be applied first.

1 (d) The Department shall adopt rules necessary to
2 implement and administer this Section.

3 (e) This Section is exempt from the provisions of Section
4 250 of this Act.

5 (f) As used in this Section:

6 "Qualified child care expenditure" means an expenditure
7 that is paid or incurred:

8 (1) to acquire, construct, rehabilitate, or expand
9 property:

10 (A) that is to be used by the Illinois taxpayer as
11 part of a qualified child care facility in Illinois;

12 (B) with respect to which a deduction for
13 depreciation (or amortization in lieu of depreciation)
14 is allowable; and

15 (C) that does not constitute part of the principal
16 residence of the taxpayer or any employee of the
17 taxpayer;

18 (2) for the operating costs of a qualified child care
19 facility of the taxpayer, including costs related to the
20 training of employees, costs for scholarship programs, and
21 the costs of providing increased compensation to employees
22 with higher levels of child care training; or

23 (3) under a contract with a qualified child care
24 facility to provide child care services to employees of
25 the taxpayer, or under a contract with an intermediate
26 entity that contracts with one or more qualified child

1 care facilities to provide those child care services.

2 "Qualified child care expenditures" does not include
3 expenses in excess of the fair market value of the care.

4 "Qualified child care facility" has the same meaning given
5 to that term in Section 45F of the federal Internal Revenue
6 Code.

7 "Qualified small business" has the same meaning given to
8 that term in Section 45F of the Internal Revenue Code.

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.